



Fixed Operations 2 -

Financial Calculations and Formulas

Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	Net Sales	Net Margin
Customer Pay	\$ 36,500	\$ 26,953	73.84%	\$ 26,953	73.84%
Sublet	\$ 5,916	\$ 4,853	82.03%	\$ 4,853	82.03%
Quick Lube	\$ 3,542	\$ 1,438	40.61%	\$ 1,438	40.61%
Warranty	\$ 7,882	\$ 5,606	71.12%	\$ 5,606	71.12%
Warranty Other Internal	\$ 11,312	\$ 8,252	72.96%	\$ 8,252	72.96%
RV / Road Ready / PCI	\$ 1,128	\$ 930	82.45%	\$ 930	82.45%
A/R Cost Of Labor	\$ (3,762)	\$ 0	0.00%	\$ 0	0.00%
Total	\$ 65,780	\$ 46,267	70.34%	\$ 46,267	70.34%

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Customer Pay Gross Profit %	73.12%
Total Service Dept. G.P. %	70.34%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	PL Ratio
Customer Pay	\$ 46,598	\$ 26,950	1.28
Sublet	\$ 5,916	\$ 0	0.00
Quick Lube	\$ 3,042	\$ 0	0.00
Warranty	\$ 7,066	\$ 7,882	0.90
Warranty Other Internal	\$ 6,221	\$ 11,312	0.55
Total	\$ 59,877	\$ 64,662	0.93

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Customer Pay Gross Profit %	73.12%
Total Service Dept. G.P. %	70.34%
Parts / Labor Ratio (Cust. Pay Only)	1.02

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profit
Department Gross	\$ 46,267	100.00%	
Variable Expense	\$ 0	0.00%	
Selling Expense	\$ 36,291	78.44%	
Personnel Expense	\$ 21,329	46.10%	
Fixed Expense	\$ 14,759	31.90%	
Unallocated Expense	\$ 0	0.00%	
Dealers Salary	\$ 72,379	156.44%	
Total Expenses	\$ (26,112)	-56.44%	
Net Profit	\$ 72,379	156.44%	

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Customer Pay Gross Profit %	73.12%
Total Service Dept. G.P. %	70.34%
Parts / Labor Ratio (Cust. Pay Only)	1.02
Total Service Dept. Expenses	\$ 72,379

Fixed Absorption

Parts Department Total Gross	\$ 30,087	% Adj Ovh'd Exp	9.42%
Service Department Total Gross	\$ 51,108		16.00%
Body Shop Department Total Gross	\$ 6,923		2.16%
Total Fixed Gross Profit	\$ 88,178		
Total Dealership Expense	\$ 319,862		
Overhead Expense	\$ 319,862		
Total Fixed Gross Profit	\$ 88,178		
Total Dealership Expense	\$ 319,862		
Fixed Absorption Percentage	27.57%	Guideline	60%

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Customer Pay Gross Profit %	73.12%
Total Service Dept. G.P. %	70.34%
Parts / Labor Ratio (Cust. Pay Only)	1.02
Total Service Dept. Expenses	\$ 72,379

NADA ACTUAL SERVICE ANALYSIS

	<i>Labor Sales / Month</i>		<i>Effective Labor Rates</i>		<i>Hours Billed</i>
Customer Pay	\$ 36,500	÷	86.51	=	421.9
Sublet	\$ 5,916	÷	62.19	=	95.1
Quick Lube	\$ 3,042	÷	61.74	=	49.3
Warranty	\$ 7,882	÷	95.19	=	82.8
Internal	\$ 11,312	÷	81.79	=	138.3
New Vehicle Prep	\$ 1,128	÷	95.19	=	11.8
Total	\$ 65,780				799.3

POTENTIAL

	\$ 65,780		799.27		\$ 82.30
	Total labor sales for month		Total hours billed		Effective Labor Rate
	6.00	x	8	x	21
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	1,008.0	x	\$ 82.30	=	\$ 82,958
	Clock Hours Available		Effective Labor Rate		Labor sales potential @100%
					\$ 103,697.64
					Labor sales potential @ 125%

How proficient are your technicians ?

	799.3		1,008.00		79.29%
	Total Hours Billed		Hours Available		Tech Proficiency

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Hours Per RO (RO Analysis)	2.0
Percent of One Item R.O.'s (RO Analysis)	60.00%
Customer Pay Effective Labor Rate (DMS Reoprt)	\$ 86.51
Warranty Labor Rate (DMS Report)	\$ 105.46
Total Overall Effective Labor Rate	\$ 82.30
Overall Technician Proficiency	79.29%

	FACILITY POTENTIAL	
Number of Bays	x	13
Number of Days	x	22
Number of Hours	x	40
Effective Labor Rate	x	\$ 82.30
		<i>equals</i>
FACILITY POTENTIAL		\$ 941,509

NADA "QUICK" SERVICE A	
\$	65,780
	Labor Sales
	799.3
	Divided by Hours Billed
\$	82.30
	= OELR

	FACILITY UTILIZATION	
Total Labor Sales	\$	65,780
	÷	
Facility Potential	\$	941,509
		<i>equals</i>
FACILITY UTILIZATION		6.99%

\$	19,513
	Labor Cost
	799.30
	/ Hours Billed
\$	24.41
	=Real Cost

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	\$24.41	÷	24.00%
Real Cost			

ANALYSIS

\$ 65,780
Labor Sales

\$ 46,267
-Labor Gross

\$ 19,513
=Labor Cost

OWNER BASE POTENTIAL

1080 x 8 = 8,640.0
5 Year Owner Base Annual Hours Purchased Market Potential / Hours

8,640.0 x \$ 82.30 = \$ 711,046
Market Potential/ Hours Effective Labor Rate 5 Yr. O.B Sales Potential

\$ 60,142 x Annualized 7 = \$ 420,994
Avg. Mos. Labor Sales (excluding internal, PDI and NVI) Current Labor Sales Trend

\$ 420,994 ÷ \$ 711,046 = 59.21%
Labor Sales Trend 5 Yr. O.B. Sales Potential Ouch

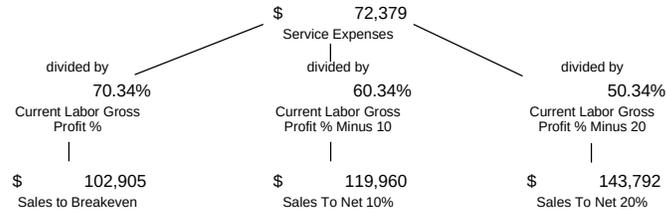
**Note: The industry average of 35% is very poor performance.*

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= \$101.71
E.L.R. Needed to earn
76%

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PROFIT ON LABOR SALES



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Customer Pay Gross Profit %	73.12%	Customer Pay E.L.R.	\$ 86.51
Total Service Dept. G.P.%	70.34%	Total (overall) E.L.R.	\$ 82.30
Parts / Labor Ratio (Cust Pay Only)	1.02	Warranty Labor Rate	\$ 105.46
Total Service Dept Expense	\$ 72,379	Overall Tech Proficiency	79.29%
Hours Per R.O (recap)	2.01		
Percent Of One Item R.O.'s	60.00%		

|

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
8	x	22	x	\$ 82.30	=	\$ 14,485

Sales Value		Gross Margin		Profit Value
\$ 14,485	x	70.34%	=	\$ 10,188

\$ 10,188	x	70%	=	\$ 7,132
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\$ 10,188	x	80%	=	\$ 8,150
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\$ 10,188	x	90%	=	\$ 9,169
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\$ 10,188	x	100%	=	\$ 10,188
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\$ 10,188	x	110%	=	\$ 11,207
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\$ 10,188	x	120%	=	\$ 12,226
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\$ 10,188	x	79.3%	=	\$ 8,078
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Profit Value Your Proficiency # Adjusted Profit Value

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent	=	Sales To Break Even
\$ 72,739		70.34%	=	\$ 103,417

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
\$ 72,739		50.34%	=	\$ 144,507

C. Technician Value

Daily Work Hours	x	Average Proficiency Rate	x	Overall Effective Labor Rate	x	Work Days Per Month	=	Technician Value
8	x	80%	x	\$ 82.30	x	22	=	\$11,588
8	x	90%	x	\$ 82.30	x	22	=	\$13,036
8	x	100%	x	\$ 82.30	x	22	=	\$14,485
8	x	120%	x	\$ 82.30	x	22	=	\$17,382

D. Staffing To Break Even

Sales To Break Even		Technician Value	=	Staffing
\$ 103,417		11,588 @ 80%	=	8.9
\$ 103,417		13,036 @ 90%	=	7.9
\$ 103,417		14,485 @ 100%	=	7.1
\$ 103,417		17,382 @ 120%	=	5.9

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value	=	Staffing
\$ 144,507		\$ 11,588 @ 80%	=	12.5
\$ 144,507		\$ 13,036 @ 90%	=	11.1
\$ 144,507		\$ 14,485 @ 100%	=	10.0
\$ 144,507		\$ 17,382 @ 120%	=	8.3

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Service Advisor Performance

How To Set Advisor Sales Objectives To: Break Even, Net 10%, & Net 20%

Break Even	Net 10 %	Net 20 %																																																																																																						
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Exercise to See What Happens When You Increase Your Hours Per Repair Order

	Number of customer R.O.'s for the month	X	480
	Multiply by .3 hours		0.3 hours
\$72,379	Additional customer labor hours generated	=	144.00
		X	
50.34%	Multiply by Customer Labor Rate	\$	86.51
\$ 143,792	Equals additional Customer Labor Sales Generated	= \$	12,457
		X	
2.0	Multiply by customer Labor Gross Profit %		73.12%
\$ 71,896	Equals additional Labor Gross Profit \$ generated	= (A) \$	9,109
22			
\$ 3,268			
\$ 82.30	Divide Parts Sales R.O. by Labor Sales R.O. to calculate \$ parts sales per 1\$ of Labor Sales	=	1.02
		X	
39.7	Multiply by Customer Labor Sales	\$	12,457
		=	
	Equals additional Customer Parts Sales generated	\$	12,767
		X	
	Multiply by Customer Parts Sales Gross Profit %		73.12%
	Equals additional Parts Gross Profit \$ Generated	= (B) \$	9,335
	Add Gross Profit from Labor (A) and Parts (B)	= \$	18,445

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Labor Rate Calculations

1 Calculate the **Labor Rate** for the following operation.

A/C Charge and Check

	Labor Price	\$144.00		
	Units	1.2		
Price	Units	=		\$0.00
			Labor Rate	

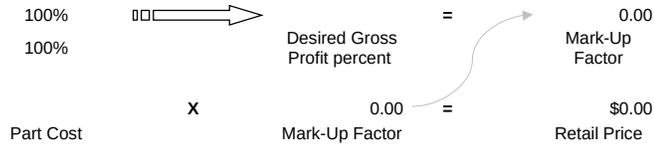
2 Calculate the **Effective Labor Rate** for the following "Repair" operations.

Labor Operations	Labor Price		Labor Units		Labor Rate
Clean Fuel Injectors	\$ 117.60		1.20		=
R&R Rear Hub Bearing.	\$ 96.00		0.80		=
Replace Trans. Pan gasket	\$ 107.80		1.10		=
R&R Headlight unit (1)	\$ 108.00		0.90		=
	Total Price		Total Units		=
					\$0.00
					Effective Labor Rate
					(For This R.O.)

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Calculating Mark-Up

- 3 Using the following formula, mark-up a part costing \$6.72 to attain a 35% gross profit (round to the nearest cent)



- 4 Calculate the "Weighted Average" price at a 40% Gross Profit for the following parts (round to the nearest cent)

Item	Cost	Annual Turnover	Total Cost
Filter #1	\$4.36	112	
Filter #2	\$4.01	56	
Filter #3	\$3.56	85	
Filter #4	\$3.86	202	
Filter #5	\$3.51	36	
Total Items		491	Total Cost \$0.00

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Cost Of A Come-Back

Lost Customers

Average Hours per R.O.	X		
	=		0.0
Effective Labor Rate	X	\$	82.30
	=	\$	- (A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X		70.34%
	=	\$	- (B) Service Labor Gross
Service Labor Sales (A)		\$	-
Parts / Labor Ratio	X		1.28
	=	\$	-
Parts Dept Gross Profit % R.O.Sales	X		
	=	\$	- (C) Service Parts Gross
(B) Service Labor Gross		\$	-
(C) Service Parts Gross	+	\$	-
Lost Gross	=	\$	-

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